

MANY DETAILS ARE BROUGHT TO LIGHT

WEDNESDAY'S PROCEEDINGS IN TRIAL OF M. A. CARLISLE.

Hearing of Testimony Continues.
Many Witnesses Put Up.—Bank
Directors Take Stank.

Greenville News, 14th.

Efforts to show the insolvency of the bankrupt during the years 1907 and 1908, and that he loaned himself money without the knowledge and consent of his directors or committees, were the principal points of the prosecution in the trial of Milton A. Carlisle, charged with misapplication of the funds of the National Bank of Newberry, at the special term of the United States district court yesterday.

The defense cross-examined the witnesses put up by the prosecution, to bring out evidence tending to show that other directors beside Carlisle were indebted to the bank, and continued their efforts of the day preceding to show that the directors had not been for years past, taking proper supervision over the affairs of the bank. One other count in the indictment, besides the making of unsecured loans, was brought up. This was the false certification of checks, and was one of the features of the afternoon's testimony. Among the principal witnesses yesterday were Messrs. George S. Mower, and George Johnson, respectively director and attorney, for the bank, both of whom were intimately in touch with the affairs of the bank for a number of years past.

Many details of the affairs of the bank, of Mr. Carlisle, and of the Cold Point Granite company, were brought out in full, and a number of matters which were brought up during the preceding few days of the trial, were gone over again and additional light gleaned.

Mr. Mower had been placed upon the stand Wednesday afternoon, and before the session adjourned, his testimony was along the line of a history of the affairs of the bank during 1903 and 1904, when a special visit had been made to the comptroller of currency in Washington. The cross-examination of this witness by Mr. Dominick, for the defense, was gone into early in the forenoon yesterday, when the court convened at 10 o'clock.

It will be remembered that the indictment charges Mr. Carlisle with misapplying the funds of the bank to his personal account, through overdrafts and unsecured notes, to the extent of about eighteen or twenty thousand dollars, and to the account of the Cold Point Granite company, of which he was president and treasurer, to an amount approximating this figure, and also with false certification of various checks. The period covered in the indictment is the year 1907 and 1908.

In answer to questions of Mr. Dominick, Mr. Mower stated the powers and duties of the board of directors to be to manage the affairs of the bank, Mr. Carlisle was elected president of the bank during 1899, and a great part of the management had been entrusted to him.

In regard to the visit of Mr. Mower, Mr. Carlisle and other directors, to the comptroller of currency, in Washington, during 1903, this was stated to be due to the result of an investigation into the affairs of the bank, and a communication received from the comptroller. This visit revealed that there were many past due papers, etc., which had to be charged off, this total being about \$68,000. It was stated that Mr. Carlisle's indebtedness amounted, in all to about \$17,000. Mr. Mower was asked if there were not other members of the board of directors who also owed the bank money, which had to be charged off in this \$68,000, and he replied that there were. When asked the total amount of the indebtedness of officers of the bank, included in this amount, Mr. Mower gave this figure as about \$21,000. While Mr. Carlisle's indebtedness at this time was about \$17,000, only about \$15,000 was charged off in this \$68,000, that amount being included in the \$21,000 indebtedness of bank officials. It also developed that the capital of the bank was impaired at this time.

The resolution passed creating the

finance and discount committees, to approve the loans, etc., were next brought up. Mr. Mower stated that in a general way the indebtedness of Mr. Carlisle and the Cold Point Granite company were brought to the notice of the board by this committee, but no definite action taken in regard to them, except general discussion that they should be paid. Mr. Dominick asked if the directors did not pass these resolutions to relieve themselves of civil liability in the matters. Mr. Mower admitted that the board would be liable in some cases of this nature, but it was not firmly established that these notes and overdrafts came in this class.

The minute book of directors meetings was gotten, and a meeting of 1905 was read, where a resolution had been passed authorizing the committee to go over the loans of the bank and make a report. The minutes did not show where any such report was ever made, and Mr. Mower could not recall any such report. Again in 1906, such an authorization was located in the minutes, and a meeting was found in December of that year, where the committee had made a verbal report, but there was nothing to show that it had been approved or otherwise. In 1907, also, the minutes showed where committees had been appointed to count the cash and go over the assets, but no meeting could be found where reports from either had been made. Mr. Mower stated that he had been on the discount committee in 1906, but his testimony did not appear to show that this committee at that time had taken any decisive step in the matter of the loans and overdrafts of Mr. Carlisle.

It was also brought out that Mr. Mower had secured a majority of the stock of the bank, during the fall of 1905, and had an intention of changing the administration, first, as he stated, because he believed it to be to the best interest of the bank, to change this, and second, because he had been informed of the intention of the president to take himself and another member off the board of directors. He told also of a compromise which had been effected by which Mr. Carlisle was to be allowed to remain president for another twelve months, but was to resign at the end of that period, and earlier, if Mr. Mower wished. Mr. Mower stated that he had been at the directors meeting when the compromise had been proposed by Mr. Carlisle for his personal indebtedness, and the note, which was to have been renewed by Mr. Aull and Mr. Carlisle, received some attention. It developed that all the directors of the bank were indebted to it to some extent during a period of years.

Mr. Cochran asked if these loans had not all been made through the president's hands, and it was brought out that no other officer could borrow money without the knowledge of the president. But that the president could borrow with the knowledge of only his subordinates.

Mr. F. N. Martin, who was cashier and director of the bank during 1906, and connected with it as bookkeeper before that time beginning this position in 1904, next came to the stand. He stated that he had had conversations with Mr. Carlisle regarding overdrafts, etc., and along the general lines of the policy of the bank, etc., but did not remember the details of the conversation. As bookkeeper, Mr. Martin stated that he had known of the overdrafts and notes of Mr. Carlisle and of the Cold Point Granite company. When asked what steps he had taken, during his year as cashier, in regard to these overdrafts, he said that he had only tried to "keep them in check." Notwithstanding this, however, it was brought out that during his term of cashier the indebtedness of the Cold Point Granite company had increased from \$300 to about \$4,000, and of Mr. Carlisle from about \$50 to about \$840. When asked if there had been a business rupture between himself and Mr. Carlisle, he stated that they had had a disagreement. Mr. Cochran cross-examined the witness to show that the money had been paid out under the direction of President Carlisle, who had charge of the bank, and that Mr. Martin could not help matters.

Mr. Dominick, however, asked Mr. Martin why he had not brought the matter to the attention of the board, since he was a member, in equal standing with Mr. Carlisle. Mr. Martin answered that the management of

the bank had been delegated to Mr. Carlisle, which reply was brought out more fully by Mr. Dominick. Mr. Martin stated, however, in answer to questions from Mr. Cochran, that when checks were presented signed by Mr. Carlisle as president, he had not refused their payment.

Mr. George Johnson, who was the attorney for the bank, a stockholder, and a director since 1902, was next sworn. Mr. Cochran asked Mr. Johnson to relate his experience in regard to the visit of certain directors of the bank to the comptroller of currency, in Washington, during 1903. Mr. Johnson stated that an examiner had made a visit to the National Bank of Newberry, and had addressed a communication to the comptroller, and the latter had addressed one to the directors of the bank, calling into question the soundness of a good deal of the paper then carried by the bank, and the lack of desirability of some of it, suggesting that a good portion of it be charged off. After this visit, the committee among which was himself, Mr. Carlisle and Mr. Mower, had been given a period of either thirty or ninety days in which to get things into shape, and that they had made such good progress in that time in getting notes renewed, etc., that the comptroller allowed things to continue.

Mr. Johnson's recollection was that Mr. Carlisle's indebtedness in the form of notes, was at that time, about \$7,200, including the overdrafts, these notes being signed only by himself. There were also some other notes, signed by Mr. Carlisle as director, with others, amounting to several thousand dollars, the exact figures not being recollected at that time, but Mr. Johnson stated that these notes, signed by others with Mr. Carlisle, were charged up to Mr. Carlisle's indebtedness, he being responsible for the whole amount, having signed as director. There were other notes, which Mr. Carlisle had indorsed, amounting to several thousand dollars more.

This indebtedness of Mr. Carlisle, it was stated, had been materially reduced, by a transfer of the signatures of one of the notes, in order to relieve Mr. Carlisle of the entire responsibility of those notes which he had signed as director, with others. Mr. Johnson stated that he had had several conversations with Mr. Carlisle about these matters and had advised Mr. Carlisle to go more carefully in regard to his loans and overdrafts. Mr. Johnson was asked about the meeting in January, 1906, when Mr. Mower is stated to have become possessor of a majority of the stock of the bank, and stated that he had been present at the meeting, and gave a full and detailed account of what had transpired at the meeting and before it.

He stated that he had been notified to be at the directors meeting, in early January, at which the election of officers was to be held. The meeting was to have been held at noon, and during the morning, he received a message to be present at Mr. Carlisle's office. He went to the bank, and found there several of the other stockholders, stating that there appeared to have been some discussion just before he came in. Mr. Carlisle asked him if he knew how many shares of the bank stock Mr. Mower had control of and he stated that he did not know, but thought he had a majority. It was stated by some one, that Mr. Mower had said he had 90 shares.

There was some discussion as to whether Mr. Mower had this many shares or not, Mr. Carlisle stating that he did not believe he had. It was finally believed by all, however, that this gentleman was the possessor of this majority, and in view of information that had been received that Mr. Mower had intended to make himself president of the bank, the matter was discussed for a time, and finally Mr. Carlisle appointed a delegation to see Mr. Mower and find what adjustment could be made. The committee left, and soon returned with the statement that Mr. Mower would allow Mr. Carlisle to remain president for the coming twelve months provided he agree to retire at the end of that time, and support Mr. Mower for the presidency. And also, to agree to make Mr. F. N. Martin cashier, in place of Mr. Edmund Carlisle, who had been appointed president.

After some hesitation, Mr. Carlisle finally agreed to these terms, and Mr. Mower was not notified. The directors met, and Mr. Carlisle was elected president, and soon after Mr. Martin was made cashier. Mr. Johnstone stated also, that he advised Mr. Carlisle not to send the message accepting these terms to Mr. Mower, if he did not intend to stick to them, and that after some hesitation Mr. Carlisle had stated that he would abide by the terms.

Mr. Johnstone was asked what had been said by Mr. Carlisle in regard to his indebtedness. The latter had stated, during the discussion at the conference before the meeting of the directors, that "they may put me out, but if they do I will not pay a dollar of my indebtedness, and they can not make me pay it, for I have nothing they can touch." Mr. Johnson stated that he had advised Mr. Carlisle not to take any position of this kind, and the latter had after some time, stated that he would pay all his indebtedness, stating that he had his salary to pay some of it, and that he could work and pay the rest in some way.

After the recess for dinner, Mr. Johnstone again took the stand, and continued his testimony. He was asked by Mr. Cochran about the reduction of Mr. Carlisle's indebtedness after the return from the visit to the comptroller, which he stated to have been reduced, in the manner mentioned above, to the amount of about ten or twelve thousand dollars. When asked if the agreement with Mr. Mower in regard to retiring at the end of 12 months, was carried out by Mr. Carlisle, Mr. Johnstone replied that he regretted to say it was not.

He was asked if he had any conversation with Mr. Carlisle during the years 1907 and 1908, in regard to his indebtedness. Mr. Johnstone stated that he had, and also with reference to the indebtedness of the Cold Point Granite company, and the overdrafts of both. He could not speak with definiteness, he stated, but he had brought the matter to Mr. Carlisle's attention a number of times, urging that the situation would not meet the approval of the comptroller and that the bank was liable to get into more trouble, if he were notified of it.

When asked if he, in 1907, approved of Mr. Carlisle's overdrafts, he stated that he had no recollection of doing anything of the kind. He stated that he was appointed on the discount committee during this year with Mr. S. B. Aull and Mr. J. H. Hunter, but did not recollect being invited to a single meeting. He stated, also, that he did not approve the notes of Mr. Carlisle to cover his overdrafts, and claimed to be the author of the resolution adopted by the board, prohibiting the making of these notes without the approval of the committee.

Two papers, a discount slip, and a note of the Cold Point Granite company, during December, 1907, were put in evidence, and Mr. Johnson was asked if he had approved this note. He replied that he unquestionably did not, and that it had been put on the books without his knowledge. A number of notes of Mr. Carlisle were put in evidence, and Mr. Johnstone stated that he had no recollection of ever approving them.

When asked about the condition of the Cold Point Granite company during 1907 and 1908, he stated that he had made an investigation into its affairs, and estimated that its assets were about \$6,000, and its liabilities about \$28,000 to \$32,000. When asked if he had ever found any evidence that the company had ever been solvent, he characterized it as a "rock and an opportunity."

Mr. Cochran asked Mr. Johnstone to explain about the mortgage which had been obtained on the company, and the agreement between the banks in regard to it. Mr. Johnstone stated that the Peoples National Bank of Prosperity, the National Bank of Newberry, the Exchange Bank of Newberry, the South Carolina Loan and Trust company, of Charleston, had all of them had claims against the Cold Point Granite company, which was recognized to be absolutely insolvent.

The only hope that these institutions had of getting these payments was to run the company, furnishing funds to do so, and giving it a trial to see if it could make anything. The National Bank of Newberry put into

this about \$2,700, but shortly after received about \$2,200 back past due interest on the notes of the company in its possession. By this means it got back into its current files, these past due notes, and also got a mortgage by which it was secured for the \$500 remaining, which had been put into the corporation.

Mr. Johnstone was also asked in regard to the letter from Blease & Dominick, attorney for Mr. Carlisle, demanding the return of the insurance policies, which had been offered among other security for settlement of the personal indebtedness, or a receipt in full for the settlement if this indebtedness. He stated that he was absent from the city when this matter was brought up in the directors meeting, and accepted, but when he looked into it he estimated that settlement at about thirty-three to thirty-five cents on the dollar, the total indebtedness being about \$19,000. In regard to the notes, which were to have been renewed under the terms of this compromise Mr. Johnstone stated that the bank was placed in the position that it had a note about six months past due. According to the rules, it would have been charged off, and would thus have diminished the surplus. For this reason, it was to the bank's interest to have the note renewed, and brought up to date, as had been promised by Mr. Carlisle, but which had not been done. He stated that the bank was ready to carry out its settlement, when the papers were renewed in due form. Mr. Johnstone stated also, in regard to the policies, which had been retained by the bank, that the government examiner, had told them not to part with these papers, as the government wanted them as evidence.

Mr. Dominick stated that the defense had no questions to ask the witness, and Mr. F. P. McGowan, of Laurens, was next placed on the stand. Among the counts in the indictment was one alleging that Mr. Carlisle had certified a check when the party had no money on deposit to meet it. A check was placed in evidence, certified by Mr. Carlisle, which was identified by Mr. McGowan. This check was payable to F. P. McGowan, \$309, and was dated January 2, 1909. It was signed by J. A. Blackwelder. Mr. McGowan stated that he had presented the check to the bank for payment, which had been refused, and had then entered suit, making Mr. Carlisle, Mr. Blackwelder, and the bank parties to the suit. The check, it appeared, had finally been paid by Mr. Carlisle.

In the cross-examination by Mr. Dominick, it developed that the transaction had taken place on the 31st of December, 1908, but that the check had been post-dated. When asked why this was, it was learned that Mr. Carlisle had stated, while certifying the check that Mr. Blackwelder would have sufficient funds in the bank to meet it on the second of January, since the semi-annual dividend would be declared on that day, Mr. Blackwelder being a stockholder.

Mr. J. B. Hunter, an attorney at Newberry, Mr. Buford, the sheriff of Newberry county; Mr. J. D. Bell, teller of the National Bank of Columbia; Mr. W. W. Wheeler, president of the Peoples National Bank of Prosperity, and Mr. M. L. Spearman, cashier of the Exchange Bank of Newberry, were all placed on the stand yesterday afternoon by the prosecution to show the alleged insolvency of the defendant, and of the Cold Point Granite company. Numerous judgments, obtained from time to time against them, were placed in evidence, and the different bankers made statements from memorandums from their books, showing notes which had been renewed from time to time by both Mr. Carlisle individually, and as president of the Granite company, and which were finally for the most part, either charged to profit and loss, or collected by judgment. Real estate dealings of Mr. Carlisle were gone into rather deeply, and several sales of property were shown the proceeds from which had gone to pay suits, notes, and other indebtedness.

It can not be stated with definiteness how long the trial will continue, but it is not thought unlikely that it will run through this week, and possibly into the regular session of the district and circuit courts, which convene here next Tuesday.

RAID ON OFFICERS OF BIG CONCERN

FEDERAL AUTHORITIES SEIZE BOSTON COMPANY'S BOOKS.

Federal Authorities Allege That \$10,000,000 Corporation Has Scheme to Defraud.

Boston, Oct. 13.—Federal authorities visited the extensive offices of the Redeemable Investment company at 85 Devonshire street today and came away with Charles H. Brook, the manager, the books of the company and several thousand dollars in cash, all taken under a warrant charging the company with the use of the mails in a scheme to defraud.

Officers tonight were hunting for Rev. Norman Plass, the president of the company, who had the indorsement as an individual of R. A. Ballinger, secretary of the interior; the late Associate Justice David J. Brewer of the United States supreme court; Senator Charles Curtis of Kansas and several local Congregational ministers. Rev. Mr. Plass was seven years president of Washburn college at Topeka, Kan.

The raid on the offices of the company in the Devonshire street building was of great interest to thousands of investors in New England and other sections.

Capital of Ten Millions.

The Redeemable Investment company was organized three years ago as a holding company with a capital of \$10,000,000.

Circulars found in the office say that the company promotes only those properties of which it is the owner or of which it has control and that the stock is not listed, as the company's redemption fund furnishes a market for the stock on demand at a price in no case less than the price paid the company together with at least 6 per cent. for the time it has been issued. The circulars also say that the company controls the Santo Domingo Mining company which is said to own 85 per cent. of the mines of Jalisco, Santo Domingo and a ranch of 70,000 acres in the same State; the Norman Plass Lumber company, which claims to own 356,000,000 feet of timber in British Columbia; the Boston and Canada Wheat Land company, having 20,000 acres of land in Canada; and the Okenogan Development company of Washington.

Court's Investigation.

John P. Feeney, counsel for the company, said tonight that the officers welcomed the fullest investigation and examination of the books and were confident of the outcome.

Rev. Mr. Plass, the president of the company, is a graduate of Williams college and the Yale divinity school. He has held pastorate at Detroit, Lincoln, Neb., Medina, Ohio, Cincinnati and Darrington, R. I. In 1897 he was State superintendent of the Rhode Island Anti-Saloon league and later agent of the Congregational National Home Missionary society.

The literature of the company contains indorsements of Mr. Plass from many prominent people, including Secretary Ballinger, who says in his letter that he has known Plass for many years; that he is worthy of confidence and respect and adds that he is sure Plass would not knowingly misrepresent a business matter.

Brook was born in Council Bluffs, 39 years ago. According to the federal officials he was arrested in St. Louis six years ago, tried and convicted in connection with the land frauds of the Rialto Investment company of St. Louis and sentenced to 18 months in jail, but was pardoned by President Roosevelt on the ground that he had furnished valuable evidence for the government in the trial of United States Senator Burton, of Kansas.

The officers of the Redeemable Investment company are as follows: President, Norman Plass, Boston; vice-presidents, J. Austin Pharaoh, Worcester; George A. Blauvelt, New York, and Wm. H. Bryan, of New York; secretary, George B. Graf, of Boston; treasurer, J. I. Trappager, of Boston.

Brook, the manager, was arraigned late today before United States Commissioner Hayes and later released on giving \$3,000 bail. He was ordered to appear for a hearing on October 20.